

**STATE WATER RESOURCES CONTROL BOARD  
BOARD MEETING SESSION-- DIVISION OF FINANCIAL ASSISTANCE  
SEPTEMBER 6, 2006**

**ITEM 7**

**SUBJECT**

CONSIDERATION OF A RESOLUTION AUTHORIZING A WAIVER OF INTEREST PENALTIES FOR TEN STATE REVOLVING FUND (SRF) PROJECTS

**DISCUSSION**

Section XVIII (B) of the State Water Resources Control Board's (State Water Board) *Policy for Implementing the State Revolving Fund for Construction of Wastewater Treatment Facilities* (Policy), adopted on February 16, 1995, and amended on September 22, 2005, requires that an agency receiving SRF loan funds certify, within 15 months of initiating operation, that the project meets its performance objectives. If the recipient does not certify the project within 15 months, or submit a report describing the corrective measures the agency will take to achieve the project's performance objectives, the Policy requires that an interest penalty of one-tenth-of-one-percent per day be assessed on the outstanding loan balance.

The Division of Financial Assistance (Division) has discovered that between August 2002 and May 2006 six agencies, the City of Sacramento, the North San Mateo County Sanitation District, the Santa Ana Watershed Project Authority, the City of Escondido, the City of Alameda, and the Vallejo Sanitation and Flood Control District, failed to certify ten SRF projects within the time period outlined in the Policy. According to the Policy, therefore, the projects should have interest penalties assessed on the daily outstanding loan balances for the periods of time that the certifications were late.

However, the State Water Board has the authority to waive the penalties, which is justified for these loans. Due to personnel changes and loan tracking software development, the Division failed to provide the affected loan recipients with a reminder of the certification requirement, which is standard practice. All of these projects have since met the requirements of the Policy. All agencies have made all required loan repayments in a timely manner and there is no evidence to suggest that the agencies intended to ignore or thwart the SRF loan program requirements. Application of the interest penalty at this point would be unfairly punitive.

**POLICY ISSUE**

Should the State Water Board waive the interest penalties required by Section XVIII (B) of the Policy for the following projects:

- City of Sacramento, SRF Project No. C-06-4441-120, \$46,688,106
- North San Mateo County Sanitation District, SRF Project No. C-06-4801-110, \$181,737
- Santa Ana Watershed Project Authority, SRF Project No. C-06-4452-110, \$277,300
- Santa Ana Watershed Project Authority, SRF Project No. C-06-4452-120, \$407,822
- Santa Ana Watershed Project Authority, SRF Project No. C-06-4452-130, \$330,593
- Santa Ana Watershed Project Authority, SRF Project No. C-06-4452-140, \$352,317
- City of Escondido, SRF Project No. C-06-4156-110, \$657,823
- City of Escondido, SRF Project No. C-06-4156-310, \$7,260,110
- City of Alameda, SRF Project No. C-06-4007-610, \$967,649
- Vallejo Sanitation and Flood Control District, SRF Project No. C-06-4790-110, \$1,545,399

## **FISCAL IMPACT**

Adoption of this resolution will result in the SRF Loan program not collecting \$58,668,856 in interest penalties required by Section XVIII (B) of the Policy.

## **REGIONAL WATER QUALITY CONTROL BOARD IMPACT**

This Resolution will have no Regional Water Quality Control Board impact.

## **STAFF RECOMMENDATION**

That the State Water Board waive the interest penalties required by Section XVIII (B) of the Policy for the following projects:

- City of Sacramento, SRF Project No. C-06-4441-120
- North San Mateo County Sanitation District, SRF Project No. C-06-4801-110
- Santa Ana Watershed Project Authority, SRF Project No. C-06-4452-110
- Santa Ana Watershed Project Authority, SRF Project No. C-06-4452-120
- Santa Ana Watershed Project Authority, SRF Project No. C-06-4452-130
- Santa Ana Watershed Project Authority, SRF Project No. C-06-4452-140
- City of Escondido, SRF Project No. C-06-4156-110
- City of Escondido, SRF Project No. C-06-4156-310
- City of Alameda, SRF Project No. C-06-4007-610
- Vallejo Sanitation and Flood Control District, SRF Project No. C-06-4790-110

**STATE WATER RESOURCES CONTROL BOARD  
RESOLUTION NO. -**

**AUTHORIZING A WAIVER OF INTEREST PENALTIES FOR TEN  
STATE REVOLVING FUND (SRF) PROJECTS**

**WHEREAS:**

1. The State Water Resources Control Board, on February 16, 1995, adopted the *Policy for Implementing the State Revolving Fund for Construction of Wastewater Treatment Facilities (Policy)*, and amended it on September 22, 2005;
2. Section XVIII (B) of the Policy requires that an agency certify or submit a corrective action plan within 15 months of initiating operation. If the recipient does not certify or submit a corrective action plan within 15 months, the Policy requires that an interest penalty of one-tenth-of-one-percent per day be assessed on the outstanding loan balance;
3. The City of Sacramento (SRF Project No. 4441-120), the North San Mateo County Sanitation District (SRF Project No. 4801-110), the Santa Ana Watershed Project Authority (SRF Project Nos. 4452-110, 4452-120, 4452-130, 4452-140), the City of Escondido (SRF Project Nos. 4156-110, 5156-310), the City of Alameda (SRF Project No. 4007-610), and the Vallejo Sanitation and Flood Control District (SRF Project No. 4790-110) did not meet the deadline in Section XVIII (B) of the Policy; and
4. There does not appear to be any intent on the part of the agencies to ignore or thwart the SRF Loan program requirements and all loan repayments have been made on time.

**THEREFORE BE IT RESOLVED THAT:**

The State Water Resources Control Board:

Waives the interest penalty required by Section XVIII (B) for the City of Sacramento (SRF Project No. 4441-120), the North San Mateo County Sanitation District (SRF Project No. 4801-110), the Santa Ana Watershed Project Authority (SRF Project Nos. 4452-110, 4452-120, 4452-130, 4452-140), the City of Escondido (SRF Project Nos. 4156-110, 5156-310), the City of Alameda (SRF Project No. 4007-610), and the Vallejo Sanitation and Flood Control District (SRF Project No. 4790-110).

**CERTIFICATION**

The undersigned, Clerk to the Board, does hereby certify that the foregoing is a full, true, and correct copy of a resolution duly and regularly adopted at a meeting of the State Water Resources Control Board held on September 6, 2006.

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Song Her  
Clerk to the Board